

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

UNADILLA TOWNSHIP

REPORT ON AUDIT
OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31, 2006

UNADILLA TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - James Peterson
Treasurer - Bonnie Mahler
Clerk - Linda J. Topping

TOWNSHIP BOARD OF TRUSTEES

Warren Krueger
Lori Cowan

TOWNSHIP ATTORNEY

Foster, Swift, Collins & Smith, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

September 25, 2006

Board of Trustees
Unadilla Township
126 Webb Street
P O Box 120
Gregory, Michigan 48137

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unadilla Township as of and for the year ended March 31, 2006, which collectively comprise Unadilla Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Unadilla Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Unadilla Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2006, on our consideration of Unadilla Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and other required supplementary information on pages 9 through 13 and 36 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Unadilla Township's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining statements and individual fund statements, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis

March 31, 2006

Within this section of Unadilla Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various nonfinancial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole

The Township's net assets at the end of the fiscal year were \$1,430,398. This is a \$286,381 increase over last year's net assets of \$1,430,398.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities	
	3/31/2005	3/31/2006
Current and other assets	\$ 3,728,559	\$ 3,843,775
Capital assets	190,396	210,160
Total assets	<u>3,918,955</u>	<u>4,053,935</u>
Accounts payable and other accrued liabilities	12,702	14,543
Bonds payable	2,762,236	2,608,994
Total liabilities	<u>2,774,938</u>	<u>2,623,537</u>
Net assets:		
Invested in capital assets, net of related debt	190,396	210,160
Unrestricted	953,621	1,220,238
Total net assets	<u>\$ 1,144,017</u>	<u>\$ 1,430,398</u>

Summary of Changes in Net Assets

	Governmental Activities	
	3/31/2005	3/31/2006
Revenues:		
Program revenues		
Charges for services	\$ 78,659	\$ 96,041
Operating grants and contributions	5,390	850
Capital grants and contributions	22,975	31,793
General revenues		
State shared revenues	220,069	220,701
Property taxes	395,204	431,612
Interest income	133,957	153,267
Gain on sale of assets	69,374	-
Other income	12,499	9,158
Total revenues	<u>938,127</u>	<u>943,422</u>
Expenses		
General government	211,615	190,873
Fire protection	105,269	117,222
Police protection	219,482	174,612
Public works	110,822	54,583
Interest on long-term debt	127,102	119,751
Total expenses	<u>774,290</u>	<u>657,041</u>
Changes in net assets	163,837	286,381
Beginning net assets	<u>980,180</u>	<u>1,144,017</u>
Ending net assets	<u><u>\$ 1,144,017</u></u>	<u><u>\$ 1,430,398</u></u>

The overall financial status for the Township is strong with the Township adding to its net assets once again.

Financial Analysis of the Township's Funds

Unadilla Township reported five major funds for the year ended March 31, 2006. These funds included:

- General Fund
- Fire Fund
- Police Fund
- Sewer Debt Service Fund
- Township Improvement Fund

The General Fund increased its fund balance by \$4,172 while still transferring out \$173,513 to various special revenue funds. This is an improvement from last year's substantial transfers of \$389,806.

The Fire and Police Funds were near a breakeven scenario with the Fire Fund adding \$20,455 to its fund balance and the Police Fund fund balance decreasing by \$18,180.

The Sewer Debt Service Fund increased its fund balance by \$31,859 for the fiscal year. This is typical for this fund as it is still approximately 4 years since the sale of the bonds and related special assessment. As the bonds near maturity the Township can expect expenditures to exceed revenues since the interest rate on the debt will likely exceed the interest rate on cash equivalents.

The Township Improvement Fund was created during this fiscal year to account for future capital improvements made in the Township. A total of \$158,713 was transferred from the General Fund to create this fund.

General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, and made no amendments during the year. Appropriations exceeded actual expenditures by \$50,542.

Capital Asset and Debt Administration

The Township acquired \$38,881 of capital assets during the fiscal year. The fire department purchased \$33,681 of fire equipment and the police purchased a vehicle for \$5,200 during the year.

The Township extinguished \$153,242 of the \$2,762,236 that was outstanding from the previous year for the Township residents' participation in an area sewer authority.

Economic Conditions and Future Activities

Anticipated future decreases in state revenue sharing could have a substantial effect on operations for subsequent periods.

Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact Unadilla Township at 126 Webb Street, P.O. Box 420, Gregory, Michigan 48137.

BASIC FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

UNADILLA TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>Primary Government</u>
	<u>Governmental Activities</u>
 <u>ASSETS</u>	
ASSETS	
Cash and cash equivalents	\$ 1,862,907
Receivables	
Accounts	41,292
Special assessments	1,852,221
State shared revenues	36,350
Taxes	51,005
Capital assets - net of depreciation	<u>210,160</u>
 Total assets	 <u>4,053,935</u>
 <u>LIABILITIES</u>	
LIABILITIES	
Accounts payable	10,407
Payroll taxes payable	4,136
Bonds payable	
Current	153,242
Non-current	<u>2,455,752</u>
 Total liabilities	 <u>2,623,537</u>
 <u>NET ASSETS</u>	
NET ASSETS	
Invested in capital assets, net of related debt	210,160
Unrestricted	<u>1,220,238</u>
 Total net assets	 <u>\$ 1,430,398</u>

The notes are an integral part of the financial statements.

UNADILLA TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u> <u>Capital Grants and Contributions</u>
Governmental activities:			
General government	\$ (190,873)	\$ 65,227	\$
Fire protection	(117,222)	9,243	31,793
Police protection	(174,612)	16,489	
Public works	(54,583)	5,082	850
Interest/fees on long-term debt	(119,751)		
Total governmental activities	<u>\$ (657,041)</u>	<u>\$ 96,041</u>	<u>\$ 850</u> <u>\$ 31,793</u>

General Revenues:
Property taxes
State shared revenues
Unrestricted investment earnings
Rental income
Other income
Special assessment - interest

Total general revenues

Changes in net assets

Net assets, April 1, 2005

Net assets, March 31, 2006

The notes are an integral part of the financial statements.

	<u>Total</u>
\$	(125,646)
	(76,186)
	(158,123)
	(48,651)
	<u>(119,751)</u>
	<u>(528,357)</u>

	431,612
	220,701
	34,909
	6,623
	2,535
	<u>118,358</u>
	<u>814,738</u>
	286,381
	<u>1,144,017</u>
\$	<u><u>1,430,398</u></u>

FUND
FINANCIAL
STATEMENTS

UNADILLA TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Township Improvement Fund</u>
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 341,778	\$ 210,280	\$ 119,336	\$ 160,780
Receivables				
Special assessments				
Taxes	12,021	10,702	16,054	
State shared revenues	36,350			
Accounts	10,273			
Due from other funds	<u>5,511</u>			<u>521</u>
Total assets	<u>\$ 405,933</u>	<u>\$ 220,982</u>	<u>\$ 135,390</u>	<u>\$ 161,301</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 667	\$ 4,526	\$ 5,089	\$
Payroll taxes payable	4,136			
Deferred revenue				
Due to other funds	<u>521</u>		<u>5,511</u>	
Total liabilities	<u>5,324</u>	<u>4,526</u>	<u>10,600</u>	
FUND BALANCE				
Reserved for debt service				161,301
Unreserved	<u>400,609</u>	<u>216,456</u>	<u>124,790</u>	
Total fund balances	<u>400,609</u>	<u>216,456</u>	<u>124,790</u>	<u>161,301</u>
Total liabilities and fund balance	<u>\$ 405,933</u>	<u>\$ 220,982</u>	<u>\$ 135,390</u>	<u>\$ 161,301</u>

The notes are an integral part of the financial statements.

<u>Sewer Debt Service</u>	<u>Other Non-major Funds</u>	<u>Total</u>
\$ 947,834	\$ 82,899	\$ 1,862,907
1,852,221		1,852,221
	12,228	51,005
		36,350
31,019		41,292
<u> </u>	<u> </u>	<u>6,032</u>
<u>\$ 2,831,074</u>	<u>\$ 95,127</u>	<u>\$ 3,849,807</u>
\$	\$ 125	\$ 10,407
		4,136
		1,852,221
<u>1,852,221</u>	<u> </u>	<u>6,032</u>
<u>1,852,221</u>	<u>125</u>	<u>1,872,796</u>
978,853	95,002	998,158
<u> </u>	<u> </u>	<u>978,853</u>
<u>978,853</u>	<u>95,002</u>	<u>1,977,011</u>
<u>\$ 2,831,074</u>	<u>\$ 95,127</u>	<u>\$ 3,849,807</u>

UNADILLA TOWNSHIP
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
MARCH 31, 2006

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 1,977,011
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds:		
Historical cost	\$ 757,869	
Depreciation	<u>(547,709)</u>	
Capital assets, net of depreciation		210,160
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Bonds payable		(2,608,994)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are are income as they are assessed.		<u>1,852,221</u>
Net assets of governmental activities		<u>\$ 1,430,398</u>

The notes are an integral part of the financial statements.

UNADILLA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	General	Fire	Police	Township Improvement Fund
REVENUES				
Taxes	\$ 79,520	\$ 99,118	\$ 148,672	\$
Special assessments				
State shared revenues	220,701			
Licenses and permits	21,743		881	
Fines and forfeitures			2,196	
Grant income	850	31,793		
Rental income	6,623			
Charges for services	43,484	9,243	829	
Interest	8,024	1,522	625	2,588
Donations		900		
Miscellaneous	5,980		687	
Total revenues	386,925	142,576	153,890	2,588
EXPENDITURES				
General government	187,637			
Fire protection		137,121		
Police protection			172,070	
Public works	21,403			
Debt service				
Total expenditures	209,040	137,121	172,070	
Excess of revenues over (under) expenditures	177,885	5,455	(18,180)	2,588
OTHER FINANCING SOURCES (USES)				
Transfers in		15,000		158,713
Transfers (out)	(173,713)			
Total other financing sources (uses)	(173,713)	15,000		158,713
Net changes in fund balances	4,172	20,455	(18,180)	161,301
FUND BALANCE, APRIL 1, 2005	396,437	196,001	142,970	
FUND BALANCE, MARCH 31, 2006	\$ 400,609	\$ 216,456	\$ 124,790	\$ 161,301

The notes are an integral part of the financial statements.

<u>Sewer Debt Service</u>	<u>Other Non-major Funds</u>	<u>Total</u>
\$ 286,090	\$ 104,302	\$ 431,612
	5,774	291,864
		220,701
		22,624
	12,583	14,779
		32,643
		6,623
		53,556
21,998	152	34,909
		900
	<u>50</u>	<u>6,717</u>
<u>308,088</u>	<u>122,861</u>	<u>1,116,928</u>
3,236		190,873
		137,121
	2,407	174,477
	33,180	54,583
<u>272,993</u>		<u>272,993</u>
<u>276,229</u>	<u>35,587</u>	<u>830,047</u>
31,859	87,274	286,881
		173,713
		<u>(173,713)</u>
31,859	87,274	286,881
<u>946,994</u>	<u>7,728</u>	<u>1,690,130</u>
<u>\$ 978,853</u>	<u>\$ 95,002</u>	<u>\$ 1,977,011</u>

UNADILLA TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances – governmental funds	\$ 286,881
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:	
Capital outlay	\$ 38,881
Depreciation expense	<u>(19,117)</u>
Net	19,764
Repayment of bond and contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
Repayment of:	
Bonds payable	153,242
Principal received on special assessments are income as they are levied annually for governmental funds, but they are income when they are levied for the Statement of Activities	
Principle collected on assessments	<u>(173,506)</u>
Change in net assets of governmental activities	<u>\$ 286,381</u>

The notes are an integral part of the financial statements.

UNADILLA TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
MARCH 31, 2006

	<u>Trust and Agency Fund</u>	<u>Current Tax Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
ASSET			
Cash	<u>\$ 1,862</u>	<u>\$ 1,203</u>	<u>\$ 3,065</u>
 <u>LIABILITIES</u>			
LIABILITIES			
Due to others	<u>\$ 1,862</u>	<u>\$ 1,203</u>	<u>\$ 3,065</u>

The notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Unadilla Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the Township's fire protection services. This fund is primarily funded through a special separately elected millage.

The Police Fund accounts for the Township's police protection services. This fund is primarily funded through a special separately elected millage.

The Sewer Debt Service Fund accounts for the debt service related to bonds issued to connect to an area sewer authority.

The Township Improvement Fund accounts for the Township's reserves for future capital replacement.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

C. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY DATA

The Township's original budget was adopted prior to April 1, 2005. A budget was adopted for the General, Fire, and Police Funds. No budget was approved for the Township Improvement Fund, Police Forfeiture, and Dust Control Funds.

The Township adopts its budget by functional activity which is the level of classification detail at which expenditures may not legally exceed appropriations.

E. PROPERTY TAX REVENUE RECOGNITION

The Township property tax is levied each December 1 on the taxable value of property located in the Township as of the preceding December 31. Assessed values are established annually by the county and are equalized by the state at an estimated 50 percent of current market value. Real and personal property in the Township for the 2005 levy was assessed and equalized at \$103,183,681, representing 50 percent of estimated current market value. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. Information related to the 2005 tax levy is as follows:

	<u>Millage Rate</u>
Township Operations	\$.7624
Roads	1.0000
Fire equipment	.9503
Police	<u>1.4254</u>
 Total Township millage	 <u>\$ 4.1381</u>

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

H. CASH AND CASH EQUIVALENTS

The Township considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

NOTE 2 - FINANCIAL REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, certain other governmental organizations are not considered to be part of the reporting entity for financial statement purposes.

The criteria established by GASB Statement No. 39 for various governmental organizations to be included in the reporting entity's financial statements include accountability, control, and significant financial relationships.

The accompanying financial statements of Unadilla Township as of March 31, 2006, include any and all boards, agencies, funds and account groups under the jurisdiction of the Unadilla Township Board.

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The Township has several interfund receivables and payables at March 31, 2006. These are short-term in nature and are expected to be repaid within the next fiscal year. The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 5,511	\$ 521
Police		5,511
Township Improvement	<u>521</u>	<u></u>
Total	<u>\$ 6,032</u>	<u>\$ 6,032</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
Land	\$ 6,002	\$	\$	\$ 6,002
Buildings and improvements	318,000			318,000
Vehicles and equipment	<u>394,986</u>	<u>38,881</u>	<u></u>	<u>433,867</u>
Total capital assets	718,988	38,881		757,869
Accumulated depreciation	<u>(528,590)</u>	<u>(19,119)</u>	<u></u>	<u>(547,709)</u>
Governmental activities capital asset, net	<u>\$ 190,398</u>	<u>\$ 19,762</u>	<u>\$</u>	<u>\$ 210,160</u>

Depreciation expense is being recorded in the government-wide statement of activities based upon the fund and activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives. No debt is associated with these capital assets. Depreciation expense was allocated to the following activities:

Fire protection services	\$ 13,782
Police protection services	<u>5,337</u>
	<u>\$ 19,119</u>

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks, commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 700,000	\$ 700,000
Uninsured and uncollateralized	<u>1,165,972</u>	<u>1,190,908</u>
Total deposits	<u>\$ 1,865,972</u>	<u>\$ 1,890,908</u>

The carrying amount above includes funds from:

Primary government	\$ 1,862,907
Fiduciary funds	<u>3,065</u>
Total carrying amount	<u>\$ 1,865,972</u>

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 6 - LONG-TERM OBLIGATIONS

1. Loan payable to Washtenaw County, dated January 1, 2002, to finance the expansion of the Multi-Lakes Sanitary Sewer System. Unadilla's portion of the liability is 29.387%. The loan is payable in annual principal installments ranging from \$88,161 to \$132,242 through 2020, plus interest in semi-annual installments ranging from 3.00% to 5.00%.
2. Special assessment bonds Series 2002A payable to United States Department of Agriculture, dated March 1, 2002 to finance construction costs of the Gregory Sewer System. Payable in annual principal installments ranging from \$20,000 graduating to \$21,000 through 2042, plus interest in semi-annual installments fixed at 4.5%.
3. Special assessments bond Series 2002B payable to United States Department of Agriculture, dated March 1, 2002 to finance construction costs of the Gregory Sewer System. Payable in annual principal installments ranging from \$1,000 graduating to \$2,000 through 2042, plus interest in semi-annual installments fixed at 4.5%.

A summary of these long-term obligations as of March 31, 2006, and transactions during the year then ended are as follows:

	Balance at <u>4/1/05</u>	<u>Increase</u>	<u>Decrease</u>	Balance at <u>3/31/06</u>
2002 Multi Lakes	\$ 1,954,236	\$	\$ 132,242	\$ 1,821,994
2002 A Special Assessment	750,000		20,000	730,000
2002 B Special Assessment	<u>58,000</u>		<u>1,000</u>	<u>57,000</u>
	<u>\$ 2,762,236</u>	<u>\$</u>	<u>\$ 153,242</u>	<u>\$ 2,608,994</u>

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The following is a schedule of principal and interest payments to service the long-term obligations of the Township:

Fiscal (years)	2002 Multi-Lakes			2002 A Special Assessment		
	Interest	Principal	Total	Interest	Principal	Total
2006 - 2007	\$ 79,010	\$ 132,242	\$ 211,252	\$ 32,850	\$ 20,000	\$ 52,850
2007 - 2008	74,051	132,242	206,293	31,950	20,000	51,950
2008 - 2009	68,679	132,242	200,921	31,050	20,000	51,050
2009 - 2010	63,141	132,242	195,383	30,150	20,000	50,150
2010 - 2015	237,080	587,740	824,820	137,250	100,000	237,250
2015 - 2020	335,504	587,740	923,244	114,750	100,000	214,750
2020 - 2025	2,939	117,546	120,485	92,250	100,000	192,250
2025 - 2030				69,750	100,000	169,750
2030 - 2035				47,115	103,000	150,115
2035 - 2040				23,625	105,000	128,625
2040 - 2042				2,835	42,000	44,835
Totals	<u>\$ 860,404</u>	<u>\$ 1,821,994</u>	<u>\$ 2,682,398</u>	<u>\$ 613,575</u>	<u>\$ 730,000</u>	<u>\$ 1,343,575</u>

Fiscal (years)	2002 B Special Assessment			Total		
	Interest	Principal	Total	Interest	Principal	Total
2006 - 2007	\$ 2,565	\$ 1,000	\$ 3,565	\$ 114,425	\$ 153,242	\$ 267,667
2007 - 2008	2,520	1,000	3,520	108,521	153,242	261,763
2008 - 2009	2,475	1,000	3,475	102,204	153,242	255,446
2009 - 2010	2,430	1,000	3,430	95,721	153,242	248,963
2010 - 2015	11,475	5,000	16,475	385,805	692,740	1,078,545
2015 - 2020	10,350	5,000	15,350	460,604	692,740	1,153,344
2020 - 2025	8,955	9,000	17,955	104,144	226,546	330,690
2025 - 2030	6,750	10,000	16,750	76,500	110,000	186,500
2030 - 2035	4,500	10,000	14,500	51,615	113,000	164,615
2035 - 2040	2,250	10,000	12,250	25,875	115,000	140,875
2040 - 2042	270	4,000	4,270	3,105	46,000	49,105
Totals	<u>\$ 54,540</u>	<u>\$ 57,000</u>	<u>\$ 111,540</u>	<u>\$ 1,528,519</u>	<u>\$ 2,608,994</u>	<u>\$ 4,137,513</u>

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 7 - EMPLOYEE RETIREMENT PLAN

The Township participates in the John Hancock Defined Contribution Pension Plan Group No. 60571 for Michigan Township employees. This is a single-employer plan. All members of the Township Board are included in the plan. The Township contributes 7.50% of participant's compensation, while an employee contributes 7.50% of compensation. Annual compensation used to determine the current year contribution is as of April 1, preceding the year. Contribution information is as follows:

ACCOUNT VALUE AT MARCH 31, 2006	<u>\$ 61,676</u>
TOTAL CURRENT YEAR CONTRIBUTIONS	<u>\$ 4,886</u>

These balances reflect contributions for the period from April 1, 2005 to March 31, 2006.

NOTE 8 - FEDERAL GRANT ACTIVITIES

Unadilla Township was a recipient of a rural development grant from the USDA for construction of the Gregory Sewer System. The remaining 25% of the project cost was loaned to the Township and is being paid back over 40 years. The grant received is subject to financial and compliance audits by the grantors or their representatives.

NOTE 9 - COMPONENT UNIT OMISSION

The Township has not reported the financial data of the Gregory Volunteer Firemen's Association.

REQUIRED
SUPPLEMENTARY
INFORMATION

UNADILLA TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Final/Original Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$	\$ 79,520	\$
State shared revenues		220,701	
Licenses and permits		21,743	
Charges for services		43,484	
Other revenues		21,477	
Total revenues	<u>368,318</u>	<u>386,925</u>	<u>18,607</u>
EXPENDITURES			
Township board	4,200	3,800	400
Supervisor	20,000	20,000	
Elections	3,380	3,141	239
Assessor	24,450	24,056	394
Auditor	5,000	4,500	500
Clerk	20,250	20,079	171
Attorney	7,500	6,213	1,287
Board of review	3,300	1,683	1,617
Treasurer	25,600	25,068	532
Cemetery	6,500	6,375	125
Unallocated	52,710	49,925	2,785
Drains at large	1,800	1,799	1
Roads	44,950	19,604	25,346
Planning	16,982	9,599	7,383
Zoning	<u>22,960</u>	<u>13,198</u>	<u>9,762</u>
Total expenditures	<u>259,582</u>	<u>209,040</u>	<u>50,542</u>
Excess of revenues over (under) expenditures	108,736	177,885	69,149
OTHER FINANCING (USES)			
Transfers (out)	<u>(16,500)</u>	<u>(173,713)</u>	<u>(157,213)</u>
Net in changes in fund balances	92,236	4,172	(88,064)
FUND BALANCE, APRIL 1, 2005	<u>396,437</u>	<u>396,437</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 488,673</u>	<u>\$ 400,609</u>	<u>\$ (88,064)</u>

UNADILLA TOWNSHIP
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Final/Original <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$	\$ 99,118	\$
Grant - federal		31,793	
Donations		900	
Charges for services		9,243	
Interest		<u>1,522</u>	
Total revenues	<u>96,417</u>	<u>142,576</u>	<u>46,159</u>
EXPENDITURES			
Salaries		42,045	
Payroll taxes		3,194	
Sewer assessment		745	
Supplies		2,780	
Uniforms		3,129	
Audit fees		1,000	
Gas		1,536	
Telephone		2,363	
Internet service		649	
Mileage		1,927	
Training		400	
Insurance		22,251	
Utilities		3,759	
Repairs and maintenance		8,230	
Miscellaneous		1,968	
Dues		125	
Capital outlay		<u>41,020</u>	
Total expenditures	<u>144,925</u>	<u>137,121</u>	<u>7,804</u>
Excess of revenues over (under) expenditures	(48,508)	5,455	53,963
OTHER FINANCING SOURCES			
Transfers in	<u>95,873</u>	<u>15,000</u>	<u>(80,873)</u>
Net in changes in fund balances	47,365	20,455	(26,910)
FUND BALANCE, APRIL 1, 2005	<u>196,001</u>	<u>196,001</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 243,366</u>	<u>\$ 216,456</u>	<u>\$ (26,910)</u>

UNADILLA TOWNSHIP
POLICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Final/Original Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$	\$ 148,672	\$
Fines and forfeitures		2,196	
Liquor license		881	
Charges for service		829	
Miscellaneous		687	
Interest		625	
Total revenues	<u>129,600</u>	<u>153,890</u>	<u>24,290</u>
EXPENDITURES			
Salaries		95,958	
Payroll taxes		7,639	
Unemployment		5,970	
Retirement		2,200	
Health insurance		1,700	
Supplies		3,365	
Telephone		4,004	
Legal		1,410	
Mileage		37	
Audit fees		1,000	
Training		756	
Publishing		126	
Uniforms		2,212	
Insurance		15,285	
Utilities		318	
Gas		9,755	
Repairs and maintenance		10,380	
Rent		1,200	
Miscellaneous		2,479	
Dues		1,076	
Small equipment and tools		5,200	
Total expenditures	<u>214,800</u>	<u>172,070</u>	<u>42,730</u>
Excess of revenues over (under) expenditures	(85,200)	(18,180)	67,020
OTHER FINANCING SOURCES			
Transfers in	<u>143,490</u>		<u>(143,490)</u>
Net changes in fund balances	58,290	(18,180)	(76,740)
FUND BALANCE, APRIL 1, 2005	<u>142,970</u>	<u>142,970</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 201,260</u>	<u>\$ 124,790</u>	<u>\$ (76,470)</u>

UNADILLA TOWNSHIP
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED MARCH 31, 2006

- A budget was not adopted for the Township Improvement Fund. This is a special revenue fund and is required to have a budget under State of Michigan Public Act 493 of 2000.

SUPPLEMENTARY
INFORMATION

COMBINING
FINANCIAL
STATEMENTS

UNADILLA TOWNSHIP
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2006

	<u>Fire Fund</u>	<u>Police Fund</u>	<u>Police Forfeiture Fund</u>	<u>Dust Control Fund</u>
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 210,280	\$ 119,336	\$ 11,083	\$ 67,827
Taxes receivable	10,702	16,054		11,178
Due from other funds	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 220,982</u>	<u>\$ 135,390</u>	<u>\$ 11,083</u>	<u>\$ 79,005</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 4,526	\$ 5,089	\$ 125	\$
Due to other funds	<u> </u>	<u>5,511</u>	<u> </u>	<u> </u>
Total	4,526	10,600	125	
FUND BALANCE	<u>216,456</u>	<u>124,790</u>	<u>10,958</u>	<u>79,005</u>
Total liabilities and fund balance	<u>\$ 220,982</u>	<u>\$ 135,390</u>	<u>\$ 11,083</u>	<u>\$ 79,005</u>

<u>Street Lighting Fund</u>	<u>Township Improvement Fund</u>	<u>Totals</u>
\$ 3,989	\$ 160,780	\$ 573,295
1,050		38,984
<u> </u>	<u>521</u>	<u>521</u>
<u>\$ 5,039</u>	<u>\$ 161,301</u>	<u>\$ 612,800</u>

\$	\$	\$ 9,740
<u> </u>	<u> </u>	<u>5,511</u>
<u> </u>	<u> </u>	<u>15,251</u>
<u>5,039</u>	<u>161,301</u>	<u>597,549</u>
<u>\$ 5,039</u>	<u>\$ 161,301</u>	<u>\$ 612,800</u>

UNADILLA TOWNSHIP
ALL AGENCY FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2006

	<u>Trust and Agency Fund</u>	<u>Current Tax Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
ASSETS			
Cash	<u>\$ 1,862</u>	<u>\$ 1,203</u>	<u>\$ 3,065</u>
<u>LIABILITIES</u>			
LIABILITIES			
Due to others	<u>\$ 1,862</u>	<u>\$ 1,203</u>	<u>\$ 3,065</u>

UNADILLA TOWNSHIP
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Fire Fund</u>	<u>Police Fund</u>	<u>Police Forfeiture Fund</u>	<u>Dust Control Fund</u>
REVENUES				
Property taxes	\$ 99,118	\$ 148,672	\$	\$ 104,302
Special assessments		2,196	12,583	
Fines and forfeitures	9,243	829		
Charges for services	31,793			
Grant income	900			
Donations	1,522	625	57	95
Interest		881		
Liquor license		687		17
Miscellaneous				
Total revenues	<u>142,576</u>	<u>153,890</u>	<u>12,640</u>	<u>104,414</u>
EXPENDITURES				
Fire protection	137,121			
Police protection		172,070	2,407	
Dust control				25,550
Street lighting				
Total expenditures	<u>137,121</u>	<u>172,070</u>	<u>2,407</u>	<u>25,550</u>
Excess of revenues over (under) expenditures	5,455	(18,180)	10,233	78,864
OTHER FINANCING SOURCES				
Transfers in	<u>15,000</u>			
Net changes in fund balances	20,455	(18,180)	10,233	78,864
FUND BALANCE, APRIL 1, 2005	<u>196,001</u>	<u>142,970</u>	<u>725</u>	<u>141</u>
FUND BALANCE, MARCH 31, 2006	<u>\$ 216,456</u>	<u>\$ 124,790</u>	<u>\$ 10,958</u>	<u>\$ 79,005</u>

<u>Street Lighting Fund</u>	<u>Township Improvement Fund</u>	<u>Totals</u>
\$	\$	\$
5,774		352,092
		5,774
		14,779
		10,072
		31,793
		900
	2,588	4,920
		881
<u>33</u>		<u>704</u>
<u>5,807</u>	<u>2,588</u>	<u>421,915</u>
		137,121
		174,477
		25,550
<u>7,630</u>		<u>7,630</u>
<u>7,630</u>		<u>344,778</u>
(1,823)	2,588	77,137
	<u>158,713</u>	<u>173,713</u>
(1,823)	161,301	250,850
<u>6,862</u>		<u>346,699</u>
<u>\$ 5,039</u>	<u>\$ 161,301</u>	<u>\$ 597,549</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

UNADILLA TOWNSHIP
GENERAL FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash and cash equivalents	\$ 341,778	
Taxes receivable	12,021	
State shared revenues receivable	36,350	
Due from others	10,273	
Due from other funds	<u>5,511</u>	
Total assets		<u>\$ 405,933</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 667	
Payroll taxes payable	4,136	
Due to other funds	<u>521</u>	
Total liabilities		\$ 5,324

FUND BALANCE

		<u>400,609</u>
Total liabilities and fund balance		<u>\$ 405,933</u>

UNADILLA TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$	\$ 79,520	\$
State shared revenues		220,701	
Licenses and permits		21,743	
Charges for services		43,484	
Other revenues		<u>21,477</u>	
Total revenues	<u>368,318</u>	<u>386,925</u>	<u>18,607</u>
EXPENDITURES			
Township board	4,200	3,800	400
Supervisor	20,000	20,000	
Elections	3,380	3,141	239
Assessor	24,450	24,056	394
Auditor	5,000	4,500	500
Clerk	20,250	20,079	171
Attorney	7,500	6,213	1,287
Board of review	3,300	1,683	1,617
Treasurer	25,600	25,068	532
Cemetery	6,500	6,375	125
Unallocated	52,710	49,925	2,785
Drains at large	1,800	1,799	1
Roads	44,950	19,604	25,346
Planning	16,982	9,599	7,383
Zoning	<u>22,960</u>	<u>13,198</u>	<u>9,762</u>
Total expenditures	<u>259,582</u>	<u>209,040</u>	<u>50,542</u>
Excess of revenues over (under) expenditures (uses)	108,736	177,885	69,149
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(16,500)</u>	<u>(173,713)</u>	<u>(157,213)</u>
Net changes in fund balances	92,236	4,172	(88,064)
FUND BALANCE, APRIL 1, 2005	<u>396,437</u>	<u>396,437</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 488,673</u>	<u>\$ 400,609</u>	<u>\$ (88,064)</u>

UNADILLA TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PROPERTY TAXES	<u>\$ 76,920</u>	<u>\$ 79,520</u>	<u>\$ 2,600</u>
STATE SHARED REVENUES	<u>226,000</u>	<u>220,701</u>	<u>(5,299)</u>
LICENSES AND PERMITS			
Dog licenses		149	
Licenses and permits		12,147	
Cable franchise		<u>9,447</u>	
Total licenses and permits	<u>17,700</u>	<u>21,743</u>	<u>4,043</u>
CHARGES FOR SERVICES			
Right of way fees		5,082	
Tax administrative fees		32,857	
Tax collection fees		<u>5,545</u>	
Total charges for services	<u>36,098</u>	<u>43,484</u>	<u>7,386</u>
OTHER REVENUES			
Interest		8,024	
Recycling grant		850	
Rental income		6,623	
Reimbursements		5,151	
Miscellaneous		<u>829</u>	
Total other revenues	<u>11,600</u>	<u>21,477</u>	<u>9,877</u>
Total revenues	<u>\$ 368,318</u>	<u>\$ 386,925</u>	<u>\$ 18,607</u>

UNADILLA TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TOWNSHIP BOARD	\$ <u>4,200</u>	\$ <u>3,800</u>	\$ <u>400</u>
 SUPERVISOR			
Salary	<u>20,000</u>	<u>20,000</u>	<u> </u>
 ELECTIONS			
Salaries		1,519	
Supplies		1,295	
Miscellaneous	<u> </u>	<u>327</u>	<u> </u>
Total elections	<u>3,380</u>	<u>3,141</u>	<u>239</u>
 ASSESSOR			
Contract		22,600	
Supplies		74	
Miscellaneous	<u> </u>	<u>1,382</u>	<u> </u>
Total assessor	<u>24,450</u>	<u>24,056</u>	<u>394</u>
 CLERK			
Salaries		20,000	
Miscellaneous	<u> </u>	<u>79</u>	<u> </u>
Total clerk	<u>20,250</u>	<u>20,079</u>	<u>171</u>
 ATTORNEY	<u>7,500</u>	<u>6,213</u>	<u>1,287</u>
 AUDITOR	<u>5,000</u>	<u>4,500</u>	<u>500</u>
 BOARD OF REVIEW			
Salaries		1,350	
Publishing		153	
Miscellaneous	<u> </u>	<u>180</u>	<u> </u>
Total board of review	<u>3,300</u>	<u>1,683</u>	<u>1,617</u>

UNADILLA TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - (continued)
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TREASURER			
Salaries		20,000	
Tax bill preparation		2,727	
Maintenance		890	
Miscellaneous		261	
Equipment		1,190	
	<u> </u>	<u> </u>	<u> </u>
Total treasurer	<u>25,600</u>	<u>25,068</u>	<u>532</u>
CEMETERY	<u>6,500</u>	<u>6,375</u>	<u>125</u>
UNALLOCATED			
Salaries		11,686	
Payroll taxes		2,915	
Retirement		4,886	
Supplies		2,805	
Publishing		2,212	
Dues		1,998	
Miscellaneous		4,421	
Maintenance		1,922	
Telephone and utilities		4,335	
Insurance and bonds		9,429	
Rental		1,800	
Clean up day		3,826	
	<u> </u>	<u> </u>	<u> </u>
Total unallocated	<u>52,710</u>	<u>52,235</u>	<u>475</u>
DRAINS AT LARGE	<u>1,800</u>	<u>1,799</u>	<u>1</u>
ROADS	<u>44,950</u>	<u>19,604</u>	<u>25,346</u>

UNADILLA TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - (continued)
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PLANNING			
Salaries		3,713	
Consulting		4,323	
Miscellaneous		<u>1,563</u>	
Total planning	<u>16,982</u>	<u>9,599</u>	<u>7,383</u>
ZONING			
Salaries		10,724	
Legal		1,913	
Publishing		432	
Mileage		<u>129</u>	
Total zoning	<u>22,960</u>	<u>13,198</u>	<u>9,762</u>
Total expenditures	<u>\$ 259,582</u>	<u>\$ 211,350</u>	<u>\$ 48,232</u>

FIRE
FUND

UNADILLA TOWNSHIP
FIRE FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash	\$ 210,280
Taxes receivable	<u>10,702</u>

Total assets		<u>\$ 220,982</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 4,526
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FUND BALANCE	<u>216,456</u>
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Total liabilities and fund balance		<u>\$ 220,982</u>
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UNADILLA TOWNSHIP
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$	\$ 99,118	\$
Grant - federal		31,793	
Donations		900	
Charges for services		9,243	
Interest		<u>1,522</u>	
Total revenues	<u>96,417</u>	<u>142,576</u>	<u>46,159</u>
EXPENDITURES			
Salaries		42,045	
Payroll taxes		3,194	
Sewer assessment		745	
Supplies		2,780	
Uniforms		3,129	
Audit fees		1,000	
Gas		1,536	
Telephone		2,363	
Internet service		649	
Mileage		1,927	
Training		400	
Insurance		22,251	
Utilities		3,759	
Repairs and maintenance		8,230	
Miscellaneous		1,968	
Dues		125	
Capital outlay		<u>41,020</u>	
Total expenditures	<u>144,925</u>	<u>137,121</u>	<u>7,804</u>
Excess of revenues over (under) expenditures	(48,508)	5,455	53,963
OTHER FINANCING SOURCES			
Transfers in	<u>95,873</u>	<u>15,000</u>	<u>(80,873)</u>
Net changes in fund balances	47,365	20,455	26,910)
FUND BALANCE, APRIL 1, 2005	<u>196,001</u>	<u>196,001</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 243,366</u>	<u>\$ 216,456</u>	<u>\$ (26,910)</u>

POLICE
FUND

UNADILLA TOWNSHIP
POLICE FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash	\$ 119,336	
Taxes receivable	<u>16,054</u>	
Total assets		<u>\$ 135,390</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 5,089	
Due to other funds	<u>5,511</u>	
Total liabilities		\$ 10,600

FUND BALANCE

		<u>124,790</u>
Total liabilities and fund balance		<u>\$ 135,390</u>

UNADILLA TOWNSHIP
POLICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$	\$ 148,672	\$
Fines and forfeitures		2,196	
Liquor license		881	
Charges for service		829	
Miscellaneous		687	
Interest		625	
		<u> </u>	<u> </u>
Total revenues	<u>129,600</u>	<u>153,890</u>	<u>24,290</u>
EXPENDITURES			
Salaries		95,958	
Payroll taxes		7,639	
Unemployment		5,970	
Retirement		2,200	
Health insurance		1,700	
Supplies		3,365	
Telephone		4,004	
Legal		1,410	
Mileage		37	
Audit fees		1,000	
Training		756	
Publishing		126	
Uniforms		2,212	
Insurance		15,285	
Utilities		318	
Gas		9,755	
Repairs and maintenance		10,380	
Rent		1,200	
Miscellaneous		2,479	
Dues		1,076	
Small equipment and tools		5,200	
		<u> </u>	<u> </u>
Total expenditures	<u>214,800</u>	<u>172,070</u>	<u>42,730</u>
Excess of revenues over (under) expenditures	(85,200)	(18,180)	67,020
OTHER FINANCING SOURCES			
Transfers in	<u>143,490</u>	<u> </u>	<u>(143,490)</u>
Net changes in fund balances	58,290	(18,180)	(76,740)
FUND BALANCE, APRIL 1, 2005	<u>142,970</u>	<u>142,970</u>	<u> </u>
FUND BALANCE, MARCH 31, 2006	<u>\$ 201,260</u>	<u>\$ 124,790</u>	<u>\$ (76,470)</u>

POLICE
FORFEITURE
FUND

UNADILLA TOWNSHIP
POLICE FORFEITURE FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash

\$ 11,083

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable

\$ 125

FUND BALANCE

10,958

Total liabilities and fund balance

\$ 11,083

UNADILLA TOWNSHIP
POLICE FORFEITURE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2006

REVENUES		
Drug forfeitures	\$ 12,583	
Interest income	<u>57</u>	
Total revenues		\$ 12,640
EXPENDITURES		
Forfeiture expenses		<u>2,407</u>
Excess of revenues over expenditures		10,233
FUND BALANCE, APRIL 1, 2005		<u>725</u>
FUND BALANCE, MARCH 31, 2005		<u>\$ 10,958</u>

DUST
CONTROL
FUND

UNADILLA TOWNSHIP
DUST CONTROL FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash	\$ 67,827
Taxes receivable	<u>11,178</u>

Total assets

\$ 79,005

FUND BALANCE

FUND BALANCE

\$ 79,005

UNADILLA TOWNSHIP
DUST CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2006

REVENUES	
Tax revenue	\$ 104,302
Interest income	95
Other income	<u>17</u>
Total revenues	104,414
EXPENDITURES	
Road treatment	<u>25,550</u>
Excess of revenues over (under) expenditures	78,864
FUND BALANCE, APRIL 1, 2005	<u>141</u>
FUND BALANCE, MARCH 31, 2006	<u><u>\$ 79,005</u></u>

STREET LIGHTING
FUND

UNADILLA TOWNSHIP
STREET LIGHTING FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash and cash equivalents
Taxes receivable

\$ 3,989
1,050

Total assets

\$ 5,039

FUND BALANCE

FUND BALANCE

\$ 5,039

UNADILLA TOWNSHIP
STREET LIGHTING FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments	\$	\$ 5,774	\$
Interest		<u>33</u>	
Total revenues	<u>7,350</u>	<u>5,807</u>	<u>(1,543)</u>
EXPENDITURES			
Street lighting		7,298	
Software		<u>332</u>	
Total expenditures	<u>7,300</u>	<u>7,630</u>	<u>(330)</u>
Excess of revenues over (under) expenditures	50	(1,823)	(1,873)
FUND BALANCE, APRIL 1, 2005	<u>6,862</u>	<u>6,862</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 6,912</u>	<u>\$ 5,039</u>	<u>\$ (1,873)</u>

TOWNSHIP
IMPROVEMENT
FUND

UNADILLA TOWNSHIP
TOWNSHIP IMPROVEMENT FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash and cash equivalents
Due from other funds

\$ 160,780
521

Total assets

\$ 161,301

FUND BALANCE

FUND BALANCE

\$ 161,301

UNADILLA TOWNSHIP
TOWNSHIP IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2006

REVENUES	
Interest income	\$ 2,588
EXPENDITURES	<hr/>
Excess of revenues over expenditures	2,588
OTHER FINANCING SOURCES	
Transfers in	<hr/> 158,713
Net changes in fund balance	161,301
FUND BALANCE, APRIL 1, 2005	<hr/>
FUND BALANCE, MARCH 31, 2006	<hr/> <hr/> \$ 161,301

SEWER
DEBT SERVICE
FUND

UNADILLA TOWNSHIP
SEWER DEBT SERVICE FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS

Cash and cash equivalents	\$ 947,834	
Due from county	<u>31,019</u>	
Total current assets		\$ 978,853
DEFERRED SPECIAL ASSESSMENT RECEIVABLE		<u>1,852,221</u>
Total assets		<u>\$ 2,831,074</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenues		\$ 1,852,221
FUND BALANCE		<u>978,853</u>
Total liabilities and fund balance		<u>\$ 2,831,074</u>

UNADILLA TOWNSHIP
SEWER DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2006

REVENUES	
Special assessment interest	\$ 112,584
Special assessment principal	173,506
Interest income	<u>21,998</u>
Total revenues	<u>308,088</u>
EXPENDITURES	
Audit fees	2,500
Bond principal	153,242
Bond interest	119,751
Project costs	73
Miscellaneous charges	<u>663</u>
Total expenditures	<u>276,229</u>
Excess of revenues over (under) expenditures	31,859
FUND BALANCE, APRIL 1, 2005	<u>946,994</u>
FUND BALANCE, MARCH 31, 2006	<u><u>\$ 978,853</u></u>

TRUST
AND
AGENCY
FUND

UNADILLA TOWNSHIP
TRUST AND AGENCY FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS
Cash

\$ 1,862

LIABILITIES

LIABILITIES
Due to others

\$ 1,862

CURRENT
TAX
COLLECTION
FUND

UNADILLA TOWNSHIP
CURRENT TAX COLLECTION FUND
BALANCE SHEET
MARCH 31, 2006

ASSETS

ASSETS
Cash

\$ 1,203

LIABILITIES

LIABILITIES
Due to others

\$ 1,203

UNADILLA TOWNSHIP

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED MARCH 31, 2006



PFEFFER ▪ HANNIFORD ▪ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

September 25, 2006

Board of Trustees
Unadilla Township
126 Webb Street
P O Box 120
Gregory, Michigan 48137

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of the Unadilla Township for the year ended March 31, 2006, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. These matters are as follows:

- The Board should be aware of the new accounting pronouncements concerning the recording of post retirement benefits other than pensions.
- With the current short term rise in interest rates the Township should review its investment strategy consistent with its investment policy.
- The Debt Service Funds should be reviewed annually to determine an adequacy of resources to service the bond interest and principle.

This letter does not affect our report dated September 25, 2006 on the financial statements of the Unadilla Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Trustees, and management of Unadilla Township and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

September 25, 2006

Board of Trustees
Unadilla Township
126 Webb Street
P O Box 120
Gregory, Michigan 48137

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unadilla Township, as of and for the year ended March 31, 2006, which collectively comprise Unadilla Township's basic financial statements and have issued our report thereon dated September 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Unadilla Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unadilla Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Unadilla Township, in a separate letter dated September 26, 2006.

This report is intended solely for the information and use of the Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants